

WATER/SNR/PTL/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4513

December 16, 2004

R E S O L U T I O N

(RES. W-4513), FRUITRIDGE VISTA WATER COMPANY (FVWC). ORDER AUTHORIZING A SURCHARGE TO RECOVER AN INCREASE IN DEPARTMENT OF HEALTH SERVICES (DHS) COSTS PRODUCING AN INCREASE IN ANNUAL REVENUE OF \$18,944.66 OR 1.31%.

SUMMARY

By Advice Letter No. 77, filed on October 12, 2004, FVWC seeks to add a one-time surcharge, to its tariff Schedule No. 1, Metered Service, resulting in an increase in annual revenues of \$18,944.66 or 1.31%. This increase is to recover DHS' fees incurred from October 1, 2003 through September 30, 2004 over and above the amount allowed in the last general rate case. FVWC's present rates became effective on January 13, 2004, pursuant to Res. No. W-4447, which authorized a purchased power increase. The last general rate case increase became effective June 14, 2001, pursuant to Res. No. W-4252. This rate increase will not result in a rate of return greater than that authorized by Res. W-4252.

BACKGROUND

FVWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$18,944.66 in DHS' fees. FVWC serves approximately 4,710-metered customers in the Sacramento area. Water Division (WD) reviewed all invoices for the DHS' fees. FVWC's recorded earnings test for the calendar year 2003 shows that the FVWC is operating at a loss of \$14,936 in 2003 on a Results of Earnings basis and a slight positive (\$143,717) cash flow, on a cash flow basis. The reason FVWC is operating at a loss is because their overall expenses since the last general rate case has increased \$274,806 with significant increases in purchased power, contract work, transportation, office salaries,

management salaries, pensions and benefits, professional services, and insurance.

DISCUSSION

Res. No. W-4013, dated December 20, 1996, which expired January 1, 2002, and Res. No. W-4327 (extending the requirements of Res. No. W-4013), dated March 6, 2002, authorized all Class B, C, and D Water Utilities to establish water quality memorandum accounts (WQMA).

Each Class B, C, D water utilities are regulated by the Commission and subject to the provisions of the DHS' Division of Drinking Water and Environmental Management fees and regulations is authorized to establish a memorandum account in which to record payment of sampling, testing and compliance costs, which are not already covered in rates and which are incurred after the date of this resolution. Costs resulting from non-compliance and related fines shall not be included in this account.

Class B, C, and D water utilities are authorized to establish a memorandum account in which to record payment of Office of Drinking Water User Fees not already included in rates and which are incurred after the date of this resolution.

Each water utility having recorded payment of costs as authorized above, is authorized to file an advice letter requesting recovery of those costs. Expenses incurred prior to 36 months from the date of filing shall not be allowed.

Recovery of these memorandum accounts will be pursuant to a Commission resolution unless and until the Commission otherwise provides for recovery of expenses requested by advice letter.

This advice letter requests recovery from DHS only.

Therefore, WD recommends that FVWC be authorized to assess a one-time surcharge of \$4.03 per customer, to recover the \$18,944.66 balance, which will be booked in WQMA balancing accounts.

DRAFT

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Service is satisfactory. FVWC is in compliance with all Commission orders. However, because FVWC is operating at a loss, it should be ordered to file a General Rate Case.

NOTICE AND PROTESTS

Notice of the proposed rate increase was placed in The Salinas Californian newspaper of general circulation on May 2004. There were no protests concerning the proposed increase.

FINDINGS

1. Res. No. W-4327 authorizes all Class B, C, and D water utilities to establish WQMAs.
2. Class B, C, and D water utilities were also authorized in Res. No. W-4327 to request recovery of these account balances by advice letter filings.
3. On October 12, 2004, FVWC filed Advice Letter No. 77 to increase rates to recover DHS' fees.
4. FVWC is currently not earning in excess of its last authorized rate of return of 11.0%; however, because it is operating at a loss, it should file a General Rate Case.
5. The under-collections represent 1.31% over gross revenues for FVWC.
6. The surcharge herein would allow FVWC to recover the DHS balance, which totals \$18,944.66.
7. It is proper for FVWC to assess a one-time surcharge of \$4.03 per customer, to recover the DHS balance.
8. This is an uncontested matter subject to the public notice comment exclusion provided in the PU Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. Fruitridge Vista Water Company is authorized, five days after the effective date herein, to make effective its revised rate Schedules Nos. 1, Metered Service, and 2, Flat Rate Service, attached to Advice Letter No. 77, and to cancel the corresponding presently effective rate schedules.
2. Fruitridge Vista Water Company is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. Within 180 days from the effective date of this resolution, Fruitridge Vista Water Company shall file for general rate relief.
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 16, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director